

USING PROJECT MANAGEMENT IN THE IMPLEMENTATION OF PROJECTS WITH NON-REIMBURSEMENT FUNDING

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ABSTRACT: *Projects with non-reimbursable financing have an important role in the economic and social development of Romania, constituting a way of accessing external assistance. The needs to adjust the legislative and methodological basis for a successful implementation of the projects are becoming more and more felt. Non-reimbursable financing aims to support the carrying out of activities that are important for certain segments of society or for the overall development of the economic body and social, in areas for which, due to the economic situation, there are not enough accessible financial resources (for example, infrastructure rehabilitation in poor regions, professional retraining, support for the development of the NGO sector as a partner of public authorities) or areas where traditionally there are a need for financial resources greater than availability (eg social activities). Most financing of this type is granted to Romania by other states or international institutions, the Romanian society being in the middle of a process of social change, of modification of social and economic structures, as well as mentalities, collective representations, social practices, styles behavioral. The grant system is one of the components of the wider mechanisms of collaboration between different states, having the character of aid granted to support the solution of exceptional situations in which the state receiving this aid does not have the expertise or the human and material resources necessary to try to themselves an effective solution. For this reason, the actual financial resources are accompanied by a whole specific methodology that must be respected in the process of granting financing and through which certain elements of social philosophy are implemented that have proven their validity in similar situations encountered both in Romania and in other states.*

Keywords: *European funds, project management, project implementation, grant funding, strategic objectives, organizations, operational program*

JEL Classification: *H43, M21*

1. INTRODUCTION

In recent years, more and more organizations have had the chance to start the realization and implementation of projects with non-reimbursable financing. However, with the start of the projects, the first difficulties and obstacles appeared, of a technical, social and especially financial nature. Romania's accession to the European Union in 2007 meant the orientation towards a new stage of socio-political and economic development, but this came on the ground of an accentuated economic crisis, with an unprepared society but still eager to develop, to modernize to the standards of the other member states. In order to reach this goal, Romania had and has at its disposal sources of financing from European funds, which should, under the conditions of good project management, contribute to eliminating the gaps in society and the gaps between our country and the other member states of European Union.

European funds are the financial instruments, the only ones, moreover, which should ensure the sustainability of public and private budgets and contribute to the progress of society and the growth of investments in the private sector, thus ensuring stability and real economic

progress. Accessing and using European funds in the public and private sector should ensure a share of 3.5-4.5% of Romania's GDP, a fact that would generate a balanced development of Romanian society, which would translate into an increase in the level livelihood and in increasing the skills of the human resource.

The modernization of Romania in the Multiannual Financial Framework 2007-2013 was difficult, blocked in particular in the poor access to European funds and this due to the lack of a vision of efficient management, confined especially to the bureaucracy, a late legislative framework, cumbersome procedures and very long deadlines response, both from the beneficiaries, and especially from the Management Authorities and Intermediate Bodies. In other words, from the funds made available to Romania from the European Union budget, in the period 2007-2013 the percentage of absorption was quite low, of approximately 70% according to the situation presented by the Ministry of European Funds in February 2016. However, in the Multiannual Financial Framework 2014 – 2020, Romania has streamlined the institutional and regulatory framework (HG 398/2015) in order to increase the level of absorption of European funds, the total allocation from the European Union budget for our country being approximately 43 billion euros, of which 22.9 billion for the Cohesion Policy and 20 billion for the Common Agricultural Policy and the Integrated Maritime Policy. In addition to the efforts made by the Authorities to make the absorption process more efficient, by developing an easy legislative framework, synchronizing national plans and strategies with European objectives and the Europe 2020 strategy, some tools for implementation and real-time monitoring of the evolution of European-funded projects (example MySMIS2014+ platform), the beneficiaries are the ones who should take care of the good management of funds by adopting modern management systems, based on easy procedures, with rigorous risk management and human resource management based on expertise and leadership. On April 14, 2022, Romania concluded the partnership agreement with the European Commission regarding the Multiannual Financial Framework 2021-2027 and future financing programs. Thus, in the next period, our country is to obtain European funds of over EUR 100 billion, of which EUR 79.9 billion represent non-reimbursable sources of financing allocated to the 9 operational programs in the major areas of the economy, as well as a budget of approximately EUR 20 billion allocated to the agricultural sector. From the total budget approved by the EU, i.e. EUR 1.074 billion, for the period 2021-2027, Romania obtained about 7.5% of the total, i.e. EUR 79.9 billion, which will be used in the form of an economic recovery package, for the development of the infrastructure in our country, the modernization and construction of new hospitals and schools, the restoration of public systems, as well as funds allocated for the improvement of the Romanian business environment in key areas.

The importance of adopting such management results from the need to manage at a higher level a proposal / a request for financing, which satisfies both the needs of the addressed target group (solving the problem through the established objectives), but which also ensures the sustainability of the investment over time, to ensure a major impact both for the beneficiaries and for the community.

2. CONTENT

The concept of the project has appeared since antiquity, the oldest projects are considered to be the pyramids of Ancient Egypt, built according to plans that still issue various theories today. It is certain that for the construction of the pyramids human resources were allocated both from the category of managers (supervisors of the activity) and from the category of execution personnel (free workers and slaves). The successful development and implementation of a project presupposes, first of all, familiarization of the individual with the term project, with a clear understanding of the project concept. In the specialized literature,

several different definitions of the notion of project are highlighted, from which we note: i) a collective creation organized in time and space (Giard V., Milder C., 1993); ii) an intention, which is marked by the uniqueness of the conditions in their totality such as: general purpose/objective, limited time period with start and end date, fixed budget, limited human resources, delimitations in relation to other intentions/needs, specific organization per project (Grossu, A., 2016); iii) a unique process that consists of a set of coordinated and controlled activities, with start and end dates, undertaken with the aim of achieving an objective in accordance with the requirements specific, including time, cost and resource restrictions (PMBOK Guide, 2004); iv) set of activities carried out and oriented towards the achievement of specific, clearly defined objectives, in a predetermined period of time and based on a dimensioned budget (Project Cycle Management Guidelines, 2004).

The specialized literature offers numerous opinions regarding the definition of the project. However, the definitions given to this concept all refer to a certain number of common characteristics that make it possible to identify the unique character of projects (Belout, A., & Gauvreau, C., 2004). In general, experts in the field agree to define the project as a series of complex and interdependent activities (Pinto, J. K., & Prescott, J. E., 1988), oriented towards one or more very specific objectives determined from the start using the given resources (human and material) (Genest, B. A., & Nguyen, T. H., 2002). Adams (1997) states that projects generally pursue one or more of the following four objectives: creating change; implementation of strategic plans; fulfillment of contractual commitments; solve specific problems (Adams, J., & Adams, J. R., 1997).

3. METHODOLOGY

From a methodological point of view, the following methods, tools and procedures were used: accumulations and results from national and international specialized literature and legislation. At the same time, the practical experience, analysis and statistics of the specialists in the explored field were also the basis for the realization of this scientific approach. The methodology used combined qualitative and quantitative research, through varied and complementary methods: historiography, documentary analysis and observation.

In order to substantiate the decisions regarding the relevance of the tools used in the process of implementing projects with non-reimbursable financing, we used our own data processing process, figures and tables, an impact analysis to highlight the results, efficiency, inconveniences and advantages obtained from the implementation of projects with Grant. Also, according to the statistics that were the basis of this analysis, as the author I took as a benchmark efficiency, as the main economic instrument, the rate of absorption of European funds in the EU, the amounts received by Romania for each Operational Program as well as the status of European funds in Romania 2022.

4. DISCUSSION AND RESULTS

A project is a set of unique, complex and connected actions that have a beginning, a middle and an end, having only one goal that must be completed within a certain time, based on a temporary effort undertaken to create a unique product or service, through a unique set of interconnected tasks and efficient use of resources. Project resources in this context could be in the form of financial support, human and technological resources.

An essential feature of the projects is that each one is unique. They vary in scope, objectives, delivery time, location, cost and customers. However, effective project management requires that each project have a well-defined objective, an effective budget, and

a series of interrelated tasks (Schachter, D., 2004), inherent levels of risk and uncertainty (Watson, P., 2009)

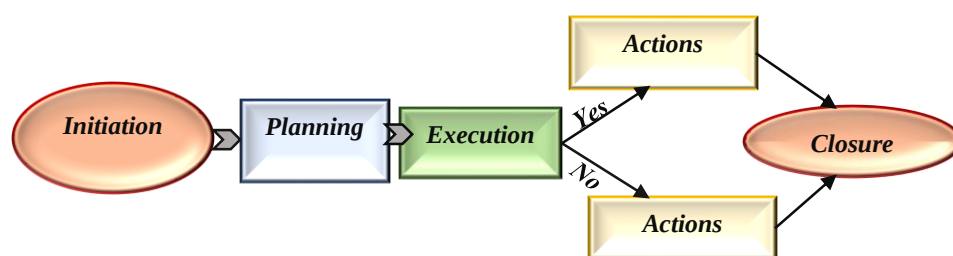
No organization can survive without the successful input of project management. Project management facilitates the change process and creates value (Bredillet, C., 2010), it is a key driver of business innovation and change that positions organizations to become more competitive (Shenhar, A. J., Milosevic, D., Dvir, D., & Thamhain, H., 2007) and improves project culture, efficiency and effectiveness (Artinsuo, M., Hensman, N., Artto, K., Kujala, J., & Jaafari, A., 2006). These changes range from integration to major business reorganization, the development of new initiatives between a company, its customers, suppliers and strategic partners.

Project management processes are organized into five basic Process Groups:

- ✓ Initiation processes are those processes executed to authorize and define the scope of a new project phase.
- ✓ Planning processes are those processes executed to define and elaborate in detail the scope of the project, to develop the Project Management Plan and to identify and plan the (project) activities that occur during the project.
- ✓ The execution processes are those processes executed to carry out the works defined in the Project Management Plan, in order to achieve the project objectives defined in the statement regarding the general scope of the project.
- ✓ The monitoring & control processes are those processes necessary to initiate, plan, execute and conclude a project with the achievement of performance objectives, defined in the Project Management Plan and in the statement regarding the general scope of the project.
- ✓ Closing processes are those processes executed to formally end all project or phase activities and transfer the finished product to others.

Each Process Group consists of one or more management processes. Process groups are linked by the output they produce - the output or output of one often becomes an input to another group (see figure no. 1).

Figure no. 1. Monitoring and Control Processes



Source: adapted from Şavga, G., & Şavga, L. (2022). Project scope management through PMBOK.

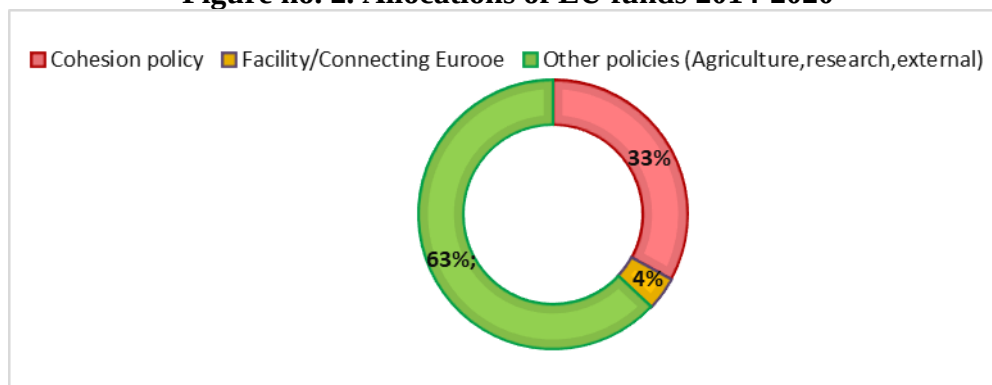
Romania's accession to the European Union raised a series of institutional, operational, procedural and sovereignty issues. Many specialists in the field asked themselves how "Can more funds be obtained from the EU?". The answer is provided by the regional and structural policy of the European Union. The European Union has set itself the goal of creating economic and social cohesion between member states, minimizing differences between levels of development, which ensures the prosperity of EU citizens, "reducing unemployment to

negligible levels, uniformly developed regions, rural areas, realigning wages and of single average pensions at the EU level". The declared objectives are implemented by the regional and structural policy of the EU through support and financing for development projects. The European Union annually contributes billions of euros to support member countries development programs and projects through the Structural Funds and the Cohesion Fund. Grants for development programs can be obtained through tenders.

All EU regions can benefit from ERDF and ESF funding. However, the Cohesion Fund can only support those countries where the gross national income (GNI) per capita is below 90% of the EU average. Romania, as an EU member state, receives resources through the Structural Funds, which aim to support underdeveloped areas. Structural funds are financial instruments, administered by the European Commission, whose purpose is to provide support at a structural level. Financial support from the Structural Funds is mainly intended for less developed regions, in order to strengthen economic and social cohesion in the European Union. The financing need of the Romanian economy in general is great and has few sources that can satisfy them considering the context and situation of the country. In my opinion and that of various specialists in the matter, the European cohesion funds can be a significant opportunity for the economic development of the country if they are well used. The variety of funds makes it possible to satisfy the needs of various sectors of the economy and different categories of public and private companies and institutions: some being intended for SMEs, others for large companies, others for local authorities, etc.

European funds are very important in the financing of public and private organizations from underdeveloped sectors, as Romania offers few sources of financing for them. For the 2014-2020 allocation period, the EU has proposed a budget of 1025 billion euros, with the following structure: 336 billion euros are intended for the 2014-2020 cohesion policy, 40 billion euros are intended for the Connecting Europe facility that finances cross-border projects energy, transport and information technology, and 649 billion goes to agriculture, research, foreign policy, etc. (See figure no.2).

Figure no. 2. Allocations of EU funds 2014-2020



Source: www.fonduri-ue.ro

The first experience related to the allocation of European funds in Romania was the preparatory one, in the sense that countries in the pre-accession period are granted funds to meet a series of macroeconomic indicators that will allow them to integrate into the EU.

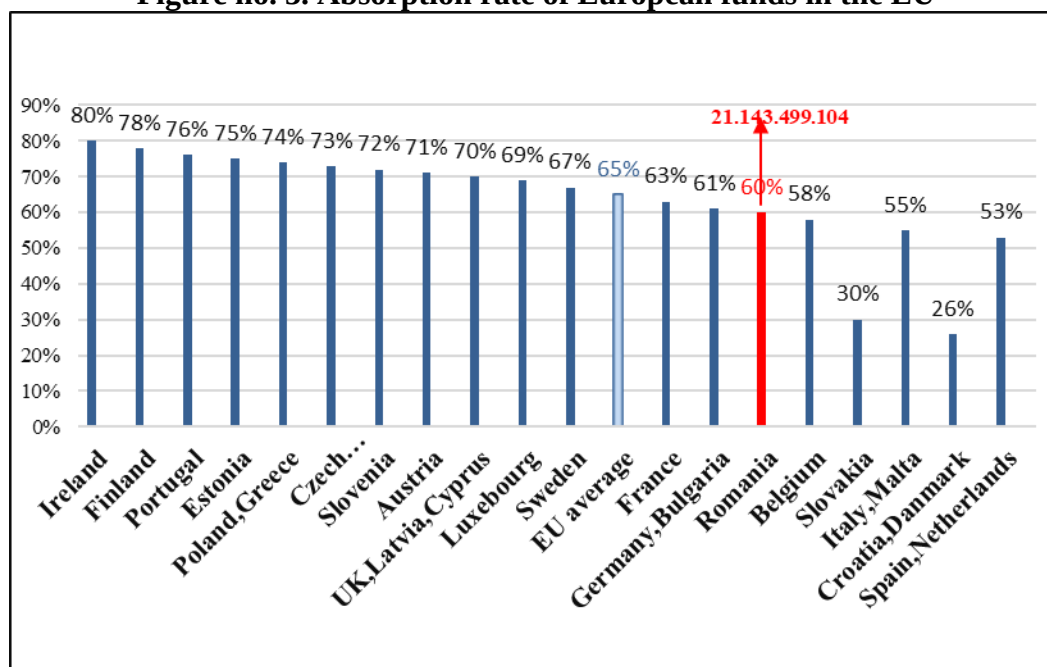
Thus, Romania benefited from the PHARE, ISPA and SAPARD funds as pre-accession funds, which had a sustainability period until 2009, when the first projects were started on the post-accession allocation. During the period 2000-2006, more than 600 civil servants worked within these programs and were in charge of managing the funds, being employees of the

ministries, their structures and state agencies. In the private sector, around 3,000 specialists (consultants, teachers, trainers, instructors, project managers, co-opted experts) worked with a preference for the PHARE program, the other programs being implemented without project employees.

The ISPA program was implemented with civil servants and the SAPARD program was mostly intended for the purchase of equipment. During this period, Law no. 490/2004 was also approved, which regulates the remuneration of personnel who have duties in the process of managing non-reimbursable community financial assistance or who carry out adjacent activities, of a financial-accounting or legal nature, contributing to increases of up to 75 % of the amount of basic salaries.

This was a motivational tool for civil servants, which contributed to increasing the degree of attraction of funds. Regarding the situation of the European funds obtained by Romania in the period 2014-May 2022, the absorption rate is 60%, the average at the level of the EU member states being 65% (See figure no. 3).

Figure no. 3. Absorption rate of European funds in the EU

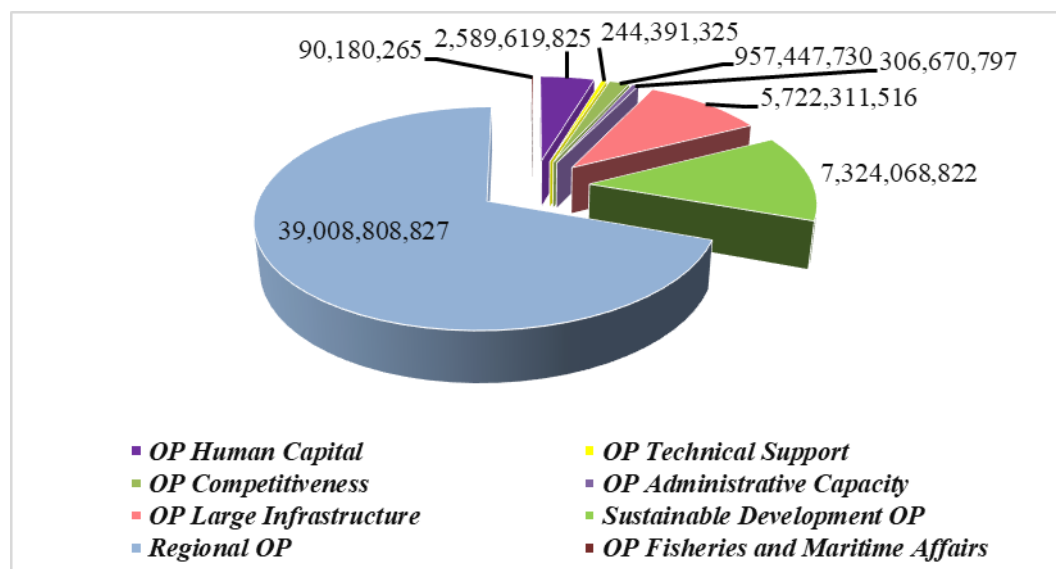


Source: <https://mfe.gov.ro/situatia-fondurilor-europene-2-mai/>

21.14 billion euros entered Romania through the Cohesion Policy and the Agricultural Policy. In addition to this value, the sum of 12.39 billion euros was redirected directly to Romanian farmers. Thus, the total value of the signed financing contracts is approximately 73.40 billion euros, of which the total value of the open financing lines, representing 148.5% of Romania's total allocation.

Romania, through 8 national programs, benefited from EU funding in the amount of EUR 35.3 billion within the ESI programs 2014-2020 (from January 2022). This represented an average of €1,770 per person in the 2014 population.

Figure no. 4. The amounts received by Romania for each Operational Program in euros



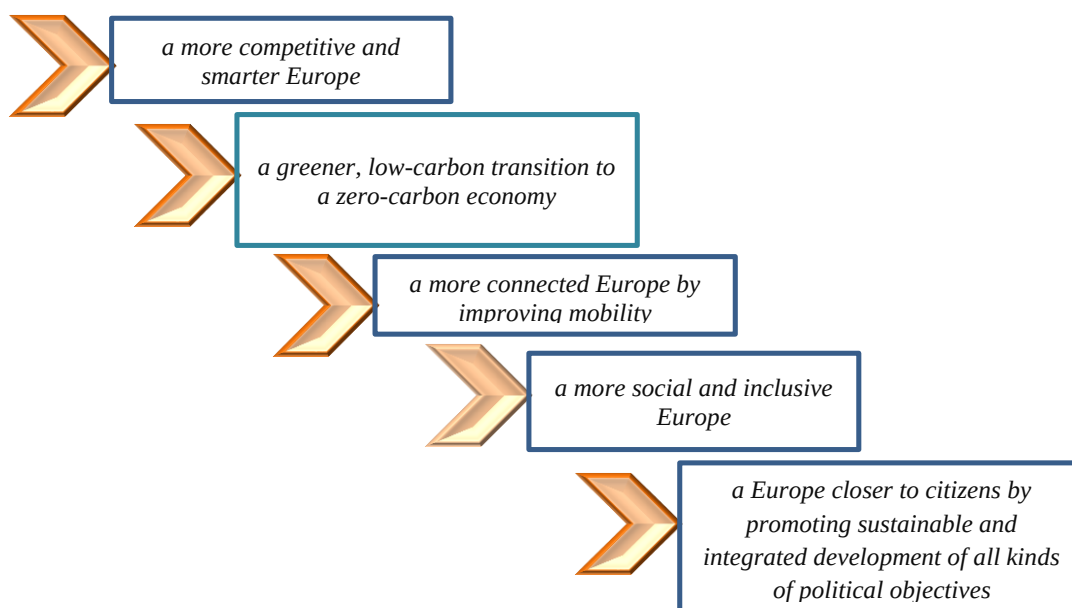
Source: projection made by the author

In the 2021-2027 financial program, Romania will receive more than twice the amount obtained in the period 2014-2020, which means that Romanian companies will have more financing available for their own needs, such as modernization and digitalization, but also for the development of infrastructure works in order to increase energy efficiency, the construction or modernization of schools, kindergartens, the rehabilitation of existing roads, the construction of new highways, bridges, the construction of hospitals at the national or county level, investments that will contribute to the development of the well-being of Romanian citizens. In this sense, the Government of Romania announced the availability of an additional budget of around 20 billion euros in non-reimbursable funds for the agricultural sector. During the 2021-2027 funding period, companies will be able to apply for funds directly from regional development agencies.

As the new multiannual financial framework for the period 2021-2027 proposes to modernize the cohesion policy and change it into a simple and flexible policy, simplification and the introduction of new flexibility tools are envisaged to facilitate the final beneficiaries of the funds. Through the Regional Operational Programs, the eight development regions of Romania will receive funding from European funds and funds from the local budget, to ensure the continuity of the strategic vision of sustainable and balanced development of the regions in the period 2014-2020, based on the directions, the actions and priorities of the Regional Development Plan 2021-2027 and the Smart Specialization Strategy 2021-2027, including the recommendations of the European Commission made in the 2019 country report on Romania. In addition to the 80 billion euros of non-refundable funds available to Romania, the European Commission's proposal for the 2021-2027 multiannual financial framework for the common agricultural policy amounts to approximately 20.5 billion euros.

In the 2021-2027 period, the EU's cohesion policy set out a shorter and more modern menu of 5 growth-supporting policy objectives for the period 2021-2027.

Figure no. 5. The political objectives regarding the development of Europe for the period 2021 – 2027



5. CONCLUSIONS

Anchoring in the reality of the absorption of European funds at the level of Romania is, as can be seen, a long-term and rather difficult process. The level of the absorption rate is still low in our country, the recorded average being only 63.72% below the average of the EU member states. As of July 2022, Romania has contracted a number of 9,682 projects, with budgets totaling EUR 35.43 billion and total eligible expenditures of EUR 34.47 billion. The EC co-financing is EUR 28.06 billion and the national contribution is EUR 2.75 billion.

EU funds can be obtained through tenders, one condition of which is consistency with the policies and objectives of the European Union. In addition, the ways and means of winning tenders should be recognized.

In addition to technical knowledge (preparation of the tender request) and specialist knowledge (EU legislation, objectives, etc.) less specific but important skills are needed such as: i) finding partnerships (to ensure the widest socio-economic participation possible in the project); ii) programming (compliance with the regulatory process of implementing EU support objectives); iii) additionality (refers to the complementarity of subsidies); iv) co-financing (own funds); v) concentration (funds can be used for limited purposes) and vi) compatibility (coherence of the objectives of the Union and of the funds).

Romania is a developing country and is in great need of European funds for economic development. The data related to the absorption rate of European funds in Romania are not very positive data, but rather worrying data for the Romanian economy, which is in such great need of the financial support granted by the European Union through the structural funds. There are several elements that prevent the absorption of funds European in Romania. For example, bureaucracy, lack of resources for co-financing, corruption, lack of information, delays in receiving payment once the contract is signed, etc.

Despite all these inconveniences, European Union funds are an opportunity for our country to recover socio-economic disparities and be as competitive as other EU countries. As

a result of the implementation of European funds, both pre-accession and post-accession, the number of public and private national organizations experienced a very positive evolution in Romania. The number of organizations that benefited from European funds increased constantly during the pre-accession period and continued with the same trend in the post-accession period, except for 2009, when the international economic crisis was also felt by our country.

In addition to the positive impact on the evolution of national organizations, other results produced by the implementation of European funds can be highlighted, such as: the positive evolution of GDP (although small), the increase in production, the increase in employment and the decrease in unemployment, all thanks to the creation of new organizations partially financed by European funds. The following diagram illustrates how access to European funds contributes to the development of the economy in general due to the influence it has on the main economic indicators.

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